

Message Text

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20

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01 FEA-02

AEC-11 FPC-01 INT-08 PM-07 SAM-01 SCI-06 DRC-01 /196 W

----- 009032

R 132000Z SEP 74

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC 7785

INFO AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

UNCLAS BRIDGETOWN 1613

E.O. 11652: N/A

TAGS: ERNG BB

SUBJ: REFINERY CONTINUES OPERATIONS WITH UNSURE FUTURE

REF: (A) BTN 1173; (B) BTN 1491; (C) BTN 1501

1. GOB SETTLEMENT WITH MOBIL PROVIDES FOR US 5-CENT INCREASE IN PRICE OF GASOLINE AND DIESEL FUEL RAISING COSTS OF THESE COMMODITIES TO CONSUMER TO US DOLS .80 AND US DOLS 0.72, RESPECTIVELY (PRICES WERE EFFECTIVE SEPTEMBER 1). ACCORDING TO MOBIL, PRICE INCREASES WILL RAISE FIRM'S MONTHLY REVENUE TO US DOLS 240,000, LEAVING A CONTINUING MONTHLY SHORTFALL OF US DOLS 30,000. HOWEVER, OTHER MEASURES, INCLUDING AVAILABILITY OF LOCAL CRUDE AT BELOW-MARKET PRICE OF DOLD 9.20 PER BARREL, (OVER DOL 1.00 BELOW CURRENT EXPORT PRICE) AND POSSIBLE OFFSETS FROM MARKETING PROFITS OF OTHER COMPANIES (SHELL, TEXACO, ESSO) MAY ALLOW LOCAL REFINERY TO JUST ABOUT BREAK EVEN.

2. MOBIL SEEMS SATISFIED WITH THESE ARRANGEMENTS, AT LEAST FOR
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TIME BEING, ALTHOUGH IT HAS MADE IT KNOWN PUBLICLY THAT

LOSS SITUATION STILL CONTINUES. IN AN EFFORT TO COUNTER ADVERSE PUBLICITY AND SENATOR TAITT'S ACCUSATION LAST WEEK THAT FIRM "WAS NOT GOOD CORPORATE CITIZEN", MOBIL REFINERY GENERAL MANAGER GAVE PRESS INTERVIEW DESCRIBING FIRM'S LOSS POSITION IN LIGHT OF INCREASED PETROLEUM PRICES, AND POINTING OUT TO PUBLIC THAT DISCUSSIONS WITH GOB TO AVOID FURTHER FINANCIAL LOSSES HAD BEGUN IN EARLY JUNE. INTERVIEW ALSO NOTED THAT INCIDENT WITH TANKER (REFTEL (C) AROSE AS RESULT OF MISUNDERSTANDING WITH GOB ON EXTENT OF COMMITMENT TO RAISE PRICES. INTERVIEW CONCLUDED BY MOBIL'S NOTING THAT PRICE INCREASES DID NOT REMOVE FIRM FROM DEFICIT POSITION, LET ALONE RECOVER EARLIER LOSSES.

3. IT WAS ALSO DISCLOSED THAT GOB HAD APPOINTED COMMISSION OF INQUIRY TO INVESTIGATE PRESENT OIL DISTRIBUTION AND REFINING SYSTEM WITH VIEW TO RECOMMENDING ANY DESIRABLE CHANGES. COMMISSION IS CHAIRED BY SENATOR MAURICE KING (WHO ALSO HEADS GAS CORPORATION) AND INCLUDES FORMER IDC HEAD KURLEIGH KING AND THREE SENIOR OFFICIALS FROM TRADE AND FINANCE MINISTRIES.

4. COMMENT: FUTURE OF MOBIL REFINERY HERE REMAINS CLOUDED BECAUSE OF BASICALLY UNPROFITABLE NATURE OF ITS OPERATIONS AND ITS KEY CONTRIBUTION TO LOCAL ECONOMY. (MOBIL ESTIMATES THAT BARBADOS FUEL COSTS WOULD INCREASE AT LEAST 35 PERCENT IF ISLAND WERE FORCED TO IMPORT PRE-REFINED PRODUCTS). IT MAY BE THAT GOB COMMISSION OF INQUIRY WILL RECOMMEND GOB PURCHASE AND TAKE-OVER OF REFINERY AND MARKETING ARRANGEMENTS, AND IN VIEW OF DIFFICULTIES IN KEEPING REFINERY GOING, MOBIL IS NOT LIKELY TO RESIST ANY REASONABLE OFFER. ANOTHER ALTERNATIVE WOULD BE TAKE-OVER OR SUBSIDIZATION OF OPERATIONS BY GENERAL CRUDE WHICH HAS ALREADY INVESTED ABOUT US DOLS 10 MILLION ON ISLAND AND WHICH WOULD EXPERIENCE CONSIDERABLE HARDSHIPS SHOULD REFINERY CEASE OPERATIONS. WE WOULD CONSIDER THAT FIRST ALTERNATIVE WOULD BE MORE LIKELY. IN ANY EVENT, RISING COSTS AND VITAL ROLE OF MINERLA FUEL MAKE IT LIKELY THAT THERE WILL BE SOME CHANGES OVER NEXT YEAR.

SIMMS

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